

## Iowa Lottery

### Response to Subcommittee questions:

1. How many employees do you have? The Iowa Lottery has 112 employees and 5 Board members.  
What's the five-year trend for staffing levels? The Lottery has 112 employees and 5 Board members. The projection for the upcoming five years is for the Lottery's staffing levels to remain stable.
2. How are the above employees classified? Ninety-one Lottery employees work in contract-covered positions; 11 work in merit-covered positions; 10 are key employees who report to the Lottery Board and CEO; and five are members of the Iowa Lottery Board appointed by the Governor.
3. How many are exempt, non-exempt and collective bargaining? The Lottery has 3 classes of employees:
  - 91 employees are ASFCME status (collective bargaining)
  - 11 employees are Merit status (non-exempt)
  - 10 Employees are Key Employee status (exempt), reporting to the Board and CEO.
  - 5 Board members appointed by GovernorHow many of your FTEs are federal funded? The Lottery has no federally funded FTEs.
4. How many Federal grants does your agency receive and what's the matching rate? What's the future matching rate anticipated to be? How much Federal funding? The Lottery has never received any federal funding, nor will it in the future. Under Iowa Code section 99G.21(1), "funds of the state shall not be used or obligated to pay the expenses or prizes of the authority." Simply stated, it is against the law for taxpayer dollars to be used to pay for anything in the Lottery's budget.
5. How many early retirements were taken? 20
6. Of those openings, how many have been filled? 14
7. What are your ideas make service delivery in your Department more efficient? In 2012, the Lottery began to deliver many of its instant-scratch tickets to retail locations via a courier delivery service to maximize sales by providing a uniform statewide sales start for its games. In addition, Lottery district sales representatives call on the Lottery's retail locations each week to address customer service and sales issues there. The Lottery also utilizes a wide range of communications platforms to provide optimum customer service to its players and the public. The Lottery can be reached by telephone, U.S. mail, email, its website, and several social media sites including a blog, Facebook and Twitter pages, and YouTube site.
8. Share the progress of your Department's "Lean" projects. The Lottery utilized the LEAN process to streamline the process and reduce costs for vendors who were responding to Lottery RFPs in the hope that the Lottery could attract more bidders and receive better pricing through competitive bids. Under the revamped RFP process for each of the last two major Lottery procurements, the Lottery received bids from additional vendors who had not bid in the previous procurement. In both situations, the Lottery received better pricing.

9. How much of your revenue comes from other state agencies? The Lottery does not receive any revenue from other state agencies. Under Iowa Code section 99G.21(1), “funds of the state shall not be used or obligated to pay the expenses or prizes of the authority.” Simply stated, it is against the law for taxpayer dollars to be used to pay for anything in the Lottery’s budget.
10. How much of your revenue comes from fees? On average, the Lottery generates less than \$5,000 (less than 0.002%) of its revenue per year from fees (they are license application fees).
11. What has been your five-year budget trend? See attached file for the budget approved by the Iowa Lottery Board for fiscal years 2011 – 2015. Lottery sales have been on the increase in recent years and we anticipate that trend will continue through FY 2015.
12. Regarding current FY 13, how does your current budget situation look? Do you expect any savings? As one of the state’s major producers of revenue, the Lottery tracks budget performance based on proceeds to the state rather than cost savings. We anticipate that total Lottery proceeds to state causes in FY 2013 will exceed our budget estimates. However, they likely will be level or slightly under last year’s numbers in the coming four months because there were huge Mega Millions and Powerball jackpots in the spring of 2012 that we don’t anticipate will be replicated this year. Sales of instant-scratch tickets for the remainder of the year should continue to be strong.
13. Have there been any recent reclassifications of individuals in your department? No. How many and what were the changes? N/A, there were none.
14. In regard to monetary bonuses, how do you measure employee outcomes? The Lottery has not awarded any monetary bonuses for years.

Attachments:

Overall Budget

	FY 2011 BOARD APPROVED BUDGET	FY 2012 BOARD APPROVED BUDGET	FY 2013 BOARD APPROVED BUDGET	FY 2014 BOARD APPROVED BUDGET	FY 2015 BOARD APPROVED BUDGET
<u>Resources</u>					
Lottery sales	250,100,000	271,400,000	277,100,000	281,000,000	287,685,000
Interest income	500,000	500,000	500,000	500,000	500,000
Application fees	5,000	5,000	5,000	5,000	5,000
Other	5,000	5,000	5,000	5,000	5,000
<b>Total Resources</b>	<b>250,610,000</b>	<b>271,910,000</b>	<b>277,610,000</b>	<b>281,510,000</b>	<b>288,195,000</b>
<u>Expenses and Change in Net Assets</u>					
Prizes	145,934,120	162,289,380	163,617,856	165,430,394	169,357,666
Retailer compensation	15,606,100	17,061,705	17,648,025	18,193,075	18,625,889
Advertising production and media purchases	10,004,000	10,856,000	11,084,000	11,240,000	11,507,400
Retailer Lottery system/Terminal Communications	5,897,595	6,491,856	6,392,184	6,474,240	6,628,262
Instant/Pull-tab ticket expense & machine maintenance	3,235,412	3,259,168	3,622,000	4,085,000	4,185,000
Terminal equipment/Ticket dispensers/Vending machines	100,000	525,000	200,000	250,000	250,000
Courier delivery of instant tickets	-	506,272	455,000	535,000	535,000
Interest expense (ITVM/PTVM/Building)	42,500	39,408	45,000	32,840	29,556
Lottery operating expense	11,536,196	12,169,597	12,592,649	13,015,308	14,519,808
Increase (decrease) in net assets	48,341	48,341	48,341	48,341	48,341
<b>Total Expenses and Change in Net Assets</b>	<b>192,404,264</b>	<b>213,246,727</b>	<b>215,705,055</b>	<b>219,304,198</b>	<b>225,686,922</b>
<u>Proceeds</u>					
Proceeds Transfer to General Fund	55,705,736	56,163,273	59,104,946	59,405,802	59,708,078
Proceeds Transfer to Veterans Trust Fund	2,500,000	2,500,000	2,800,000	2,800,000	2,800,000
<b>Total Proceeds Transfers</b>	<b>58,205,736</b>	<b>58,663,273</b>	<b>61,904,946</b>	<b>62,205,802</b>	<b>62,508,078</b>
<b>Total Expenses and Proceeds</b>	<b>250,610,000</b>	<b>271,910,000</b>	<b>277,610,000</b>	<b>281,510,000</b>	<b>288,195,000</b>

Operating Expenses

	FY 2011 BOARD APPROVED BUDGET	FY 2012 BOARD APPROVED BUDGET	FY 2013 BOARD APPROVED BUDGET	FY 2014 BOARD APPROVED BUDGET	FY 2015 BOARD APPROVED BUDGET
Administrative payroll	9,035,279	9,711,869	9,915,649	9,915,649	11,515,649 *
Travel	430,000	400,000	443,000	495,000	495,000
Supplies	105,000	104,500	105,000	125,000	125,000
Printing	10,000	14,500	15,000	16,000	16,000
Postage	5,000	6,500	6,000	6,500	6,500
Communications	110,000	150,000	175,000	160,000	160,000
Rentals	240,000	300,000	300,000	305,000	310,000
Utilities	101,515	100,000	105,000	105,000	105,000
Professional fees	136,190	65,000	135,000	170,000	230,000
Outside services and repair	396,932	414,228	400,000	400,000	400,000
Data processing	40,000	40,000	50,000	55,000	55,000
Equipment	241,049	100,000	170,000	430,500	250,000
Reimbursement to state agencies	392,000	475,000	450,000	475,000	495,000
Depreciation	160,931	191,000	223,000	251,659	251,659
Other expenses	132,300	97,000	100,000	105,000	105,000
<b>Total operating expenses</b>	<b>\$ 11,536,196</b>	<b>\$ 12,169,597</b>	<b>\$ 12,592,649</b>	<b>\$ 13,015,308</b>	<b>\$ 14,519,808</b>

\* Step increases and cost of living adjustments are not included in FY14 or FY15 budgets. Budgets will be adjusted after contract negotiations are complete and salary and benefit increases are known. FY15 Administrative payroll includes an estimated \$1.6 million for unfunded pension liability. This will be required to be recorded under a new GASB statement that goes into effect in FY15.